

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2397-02
Bill No.: SB 697
Subject: Elementary and Secondary Education Dept; Teachers
Type: Original
Date: January 22, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue	(\$2,214,000)	(\$3,538,000 to \$4,428,000)	(\$4,574,000 to \$6,642,000)
Total Estimated Net Effect on <u>All</u> State Funds	(\$2,214,000)	(\$3,538,000 to \$4,428,000)	(\$4,574,000 to \$6,642,000)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
School Districts	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Secretary of State's Office (SOS)** assumed the rules, regulations and forms issued by the Department of Elementary and Secondary Education could require as many as 4 pages in the *Code of State Regulations*. For any given rule, roughly half again as many pages are published in the *Missouri Register* as in the Code because cost statements, fiscal notes and the like are not repeated in the Code. These costs are estimated. The estimated cost of a page in the *Missouri Register* is \$23. The estimated cost of a page in the *Code of State Regulations* is \$27. The actual costs could be more or less the SOS's estimated cost of \$246 for FY 2003. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules, filed, amended, rescinded or withdrawn.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

The **Department of Elementary and Secondary Education (DESE)**, in addressing the proposed changes to Section 148.360, state that the proposed legislation makes changes to the method of distributing the county foreign insurance (free textbook) fund. The amount of money to be distributed does not change as a result of this proposal, only how the money is distributed. Currently, all districts receive the same amount per pupil (September membership). The proportion going to each district would vary under this proposal. Districts in 3rd or 4th class counties, with an assessed valuation less than \$30 million, and with membership less than or equal to 600 would receive more per pupil than other districts. If the foundation formula is fully funded, the fiscal impact is insignificant for non-hold harmless districts. Some of the hold harmless districts will receive less per pupil in textbook money (county foreign insurance) but will not see their hold harmless amount increase. The only new cost to the state would be a minor cost to modify the payment system to reflect the new distribution method. Existing IT staff could make the required changes.

DESE states that Section 168.225 would establish a program of signing bonuses for newly-hired teachers in rural school districts ("rural district" is defined in the proposed change to Section 160.011). A signing bonus of \$2,000 would be given each year for five years to each newly-hired teacher in rural school districts. DESE stated that the proposed legislation does not clearly indicate whether DESE would request state funds that it would then pay the district or if the district is to pay the bonus from its own resources. The proposal indicates the State Board shall establish a program but makes no mention of a funding source; DESE assumes they would request state funds that would be paid to the district. Last year, "rural" districts employed 1,017 teachers with

1 year of district experience, 662 with 2 years, 518 with 3 years, 366 with 4 years, and 267 with 5
ASSUMPTION (continued)

years. Based on this data, costs could be estimated as follows:

Option 1	Option 2
Assumes the number of teacher returning to employment in subsequent years is equal to FY 2001 data and that rural districts will hire the same number of new teachers as were hired during FY 2001.	Assumes all teachers return to employment in subsequent years and that rural districts will hire the same number of new teachers as were hired during FY 2001.
<u>FY 2003</u>	<u>FY 2003</u>
$\$2,000 \times 1,107 \text{ newly hired} = \$2,214,000$	$\$2,000 \times 1,107 \text{ new hired} = \$2,214,000$
<u>FY 2004</u>	<u>FY 2004</u>
$\begin{array}{r} 662 \text{ 2}^{\text{nd}} \text{ year from 2003} \\ \underline{1,107 \text{ newly hired}} \\ \$2,000 \times 1,769 \end{array} = \$3,538,000$	$\begin{array}{r} 1,107 \text{ 2}^{\text{nd}} \text{ year from 2003} \\ \underline{1,107 \text{ newly hired}} \\ \$2,000 \times 2,214 \end{array} = \$4,428,000$
<u>FY 2005</u>	<u>FY 2005</u>
$\begin{array}{r} 518 \text{ 3}^{\text{rd}} \text{ year from 2003} \\ 662 \text{ 2}^{\text{nd}} \text{ year from 2004} \\ \underline{1,107 \text{ newly hired}} \\ \$2,000 \times 2,287 \end{array} = \$4,574,000$	$\begin{array}{r} 1,107 \text{ 3}^{\text{rd}} \text{ year from 2003} \\ 1,107 \text{ 2}^{\text{nd}} \text{ year from 2004} \\ \underline{1,107 \text{ newly hired}} \\ \$2,000 \times 3,321 \end{array} = \$6,642,000$

Using the same assumptions for the full five year period, costs for FY 2006 could range from \$5,306,000 to \$8,856,000 and costs for FY 2007 could range from \$5,840,000 to \$11,070,000.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
GENERAL REVENUE			
<u>Transfer Out - Elementary and Secondary Education</u>			
Rural teacher signing bonuses (Section 168.255)	<u>(\$2,214,000)</u>	<u>(\$3,538,000 to \$4,428,000)</u>	<u>(\$4,574,000 to \$6,642,000)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
LOCAL SCHOOL DISTRICTS			
<u>Transfer In</u> - Rural teacher signing bonuses	\$2,214,000	\$3,538,000 to \$4,428,000	\$4,574,000 to \$6,642,000
<u>Cost</u> - Teacher signing bonuses	<u>(\$2,214,000)</u>	<u>(\$3,538,000 to \$4,428,000)</u>	<u>(\$4,574,000 to \$6,642,000)</u>
ESTIMATED NET EFFECT ON SCHOOL DISTRICTS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal revises provisions relating to rural school districts. A rural school district is defined as any school district which: (1) Contains any part of either a third or fourth class county; (2) Has a current assessed valuation which is less than thirty million dollars; and (3) Has a current membership which is less than or equal to six hundred pupils.

The distribution of Free Textbook funds pursuant to Section 148.360, RSMo, is revised to increase distribution to rural school districts, especially those with an enrollment of 100 pupils or less, by doubling the pupil weighting of the first 100 pupils in a rural school district. The weighting for the remainder of the pupil count for a rural school district is reduced so that at the maximum membership of 600 pupils, the Free Textbook payment for a rural school district is the same as for any other district with that same membership.

The proposal creates a program of signing bonuses for newly-hired teachers in rural school districts (Section 168.255). An annual signing bonus of \$2,000 will be given for a period of up to DESCRIPTION (continued)

five consecutive years, beginning in the school year in which the teacher is a newly-hired teacher, provided the teacher satisfies eligibility requirements. The signing bonus shall be in addition to the base salary to which the teacher would otherwise be entitled.

A "newly-hired teacher" must be employed by the district as a full time teacher for the first time in the current school year, beginning no later than February first. Neither a substitute teacher nor any teacher who has been a "newly-hired teacher" in a previous school year is eligible to be a "newly-hired teacher".

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education



Mickey Wilson, CPA
Acting Director
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